

## PERAC WELCOMES NEW COMMISSIONER

Mary Ann Bradley, Assistant Secretary for the Executive Office of Administration and Finance, was appointed by Governor Deval Patrick as the gubernatorial appointee on the Commission on April 30, 2007. She is a dedicated public servant with 21 years of experience revitalizing processes, creating efficiencies, and building consensus among state agencies, departments, and individuals, resulting in a more effective and influential state government. Commissioner Bradley's commitment to



public service has resulted in recognition from both *CIO* magazine and the National Association of State Information Resource Executives. She holds a bachelor's in public administration from Stonehill College and a master's in public administration from Suffolk University.

Joseph Connarton, PERAC's Executive Director, commented, "Commissioner Bradley's long public sector experience represents tremendous added value to the work of the Commission. I look forward to working with her in the months and years ahead."



Left to right: Adam Coffin, Research Analyst; Patrick Charles, Staff Director/Counsel; Rep. Jay Kaufman, House Chair; Sen. Benjamin Downing, Senate Chair; and Rep. Todd Smola.

## PERAC'S BOARD GOVERNANCE REFORM BILL HEARING

On April 19, 2007, the Legislature's Joint Committee on Public Service conducted a hearing on PERAC's board governance reform legislation. The bill, originally filed as H. 14, was subsequently revised after discussion with representatives of the Massachusetts Association of Contributory Retirement Systems (MACRS).

### Hearing Report

In addition to Executive Director Joseph Connarton, PERAC's Chairman, the Honorable Judge Domenic J. F. Russo (ret.), and Commissioner Kenneth J. Donnelly testified at the hearing. Also supporting PERAC's bill were former Massachusetts Attorney General Scott Harshbarger, Senior Counsel to the law

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### Public Employee Retirement Administration Commission

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- The Honorable Domenic J. F. Russo  
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- The Honorable A. Joseph DeNucci  
Auditor of the Commonwealth  
*Vice Chairman*
- The Honorable Deval Patrick  
Governor of the Commonwealth
- Paul V. Doane  
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Lexington Fire Department
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Sergeant  
Fall River Police Department
- Donald R. Marquis  
Former Town Manager  
Arlington
- Joseph E. Connarton  
*Executive Director*
- Michael DeVito  
*Editor*





Left to right: Kenneth Donnelly, PERAC Commissioner; Joseph Connarton, Executive Director, PERAC; Domenic J.F. Russo, PERAC Chairman; and Scott Harshbarger, Senior Counsel to the law firm of Proskauer Rose LLP.

firm of Proskauer Rose LLP, who chaired PERAC's Reform Initiatives Advisory Committee and Alan Macdonald, Executive Director of the Massachusetts Business Roundtable, who was a member of that Committee.

### Executive Director Joseph Connarton Testifies

Executive Director Connarton was the lead speaker for PERAC. He detailed how in 2004 the Commission, after nearly eight years of operation, determined that a comprehensive evaluation of its history in overseeing the 106 retirement systems was necessary. The goal was to recommend changes (if necessary) in its enabling statutes to allow PERAC to fulfill its mandate from the General Court more effectively and efficiently.

Mr. Connarton outlined the process from the Commission's decision to go forward, to developing a prototype, and then vetting these ideas with outside constituencies. This included the appointment of an outstanding group of governance experts, the Reform Initiatives Advisory Committee, which met in the spring of 2005 and developed the so-called "Blue Book" of recommendations that became the framework for PERAC's legislation. PERAC met with the Public Pension Advisory Group (PPAG), a group of public pension administrators and board members who meet regularly to advise PERAC about issues of interest. Meetings were also held with representatives of MACRS and

four hearings were conducted around the state to elicit commentary from impacted and interested parties.

Mr. Connarton outlined developments that have ensued since the Committee considered similar legislation last session. He noted that PERAC staff and MACRS representatives had met and a framework for agreement was reached. Connarton testified that "the changes in the bill reflect changed circum-

stances including those related to court determinations that enabled PERAC to exclude sections in the previous bill, pertaining to PERAC's enforcement authority, that had been of particular concern to MACRS."

The major aspects of board governance reform that are the cornerstone of the revised bill include:

- Authority for PERAC to debar individuals and firms in certain cases of illegal action or other misconduct;
- Mandatory statutory competitive bidding requirements;
- Mandatory financial disclosure by retirement board members; and,
- Mandatory education for all board members.

Connarton responded to assertions that the reform effort is unnecessary by citing recent criminal prosecutions in other jurisdictions, including the case of a third-party marketer to retirement boards, who is well-known to Massachusetts officials, who recently pled guilty in federal court to bribery and money laundering charges.

Mr. Connarton concluded his testimony by stating,

*The Commission has listened, discussed, and most importantly, responded to suggestions by the retirement community to amend the bill and has made concessions in the bill to meet their concerns. We now sincerely hope that this proposal will be quickly reported by the Committee, pass the General Court, and be signed into law this year by Governor Patrick. The Commission feels that this reform bill is a major step forward for pension board governance in Massachusetts.*

### Judge Russo's and Commissioner Donnelly's Comments

PERAC's Chairman, Judge Domenic J. F. Russo's (ret.) comments were brief but to the point. He stated that Executive Director Connarton had reviewed the history, rationale, and process involved in preparing the board governance

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Members of the Joint Committee on Public Service. Left to right: Rep. Todd Smola, Rep. John Lepper, and Rep. Louis Kafka.



## PERAC'S BOARD GOVERNANCE REFORM BILL HEARING (continued from page 2)

reform bill and cited the extensive time and resources that the Commission, staff, and Advisory Committee had invested in this effort. Chairman Russo noted that the board governance reform bill was the top legislative priority of the agency for the 2007-2008 session.

Commissioner Kenneth J. Donnelly, who represents the AFL-CIO on the Commission, testified that concerns over brewing national scandals in the pension arena had helped prompt the Commission to launch its governance review. Commissioner Donnelly stressed that the objective is to keep the retirement systems strong and independent. Donnelly noted that 99% of the systems have no problems but that measures were recommended to strengthen governance and maintain the viability of the entire system.

Former Massachusetts Attorney General Scott Harshbarger testified that he had been impressed with the Commission and its staff's determination to do the right thing and lauded the agency for its proactive approach in addressing governance in Massachusetts before any scandals could emerge. He mentioned major scandals in Ohio, San Diego, Illinois, and elsewhere that have threatened the viability of pension systems. Harshbarger stated that mandatory education in fiduciary responsibility was a major step forward and that financial disclosures would go far toward providing the transparency that is so necessary for governmental institutions, especially those involved in investing massive sums of retirees' and employees' funds.

Alan Macdonald, Executive Director of the Massachusetts Business Roundtable and member of the Reform Initiatives Advisory Committee, observed that as a past member of the Winchester Retirement Board, his experience was that 99% of the boards are doing things right, however, there is a need to look at those in the retirement boards who need assistance. This initiative, Macdonald added, would help head off potential problems – one or two of which could present a problem for all of the boards and the very system itself.

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*Left to right: J. Coleman Walsh, MACRS Legislative Representative; Ralph White, testifying as Chairman of MACRS' Legislative Committee; and Denis Devine, Vice President of MACRS.*



*Alan Macdonald, Executive Director, Massachusetts Business Roundtable.*



*Brad Tenney, Legislative Agent, Professional Fire Fighters of Massachusetts (PFFM).*

## PERAC'S BOARD GOVERNANCE REFORM BILL HEARING (continued from page 3)

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### MACRS Testifies on the Revised Board Governance Reform Bill

Ralph White, President of the Massachusetts Retirees' Association, in his capacity as Chairman of the MACRS Legislative Committee also presented testimony. Although White did not explicitly endorse the bill, he noted that the retirement community was comfortable with it.

Denis Devine, Vice President of MACRS, expressed concerns regarding the section

of the bill that restricts board composition and stated that individual board members may continue to oppose that recommendation.

Brad Tenney of the Professional Fire Fighters of Massachusetts (PFFM) testified that the PFFM was generally in support of the legislation while noting some concerns with the education section.

Raymond McGrath, a member of the Worcester Retirement Board, representing the National Association

of Government Employees (NAGE), testified against the bill. According to McGrath, PERAC already has most of the authority to do what was proposed and mandatory education is unnecessary.

***Note: On May 7, 2007, the revised draft of PERAC's Governance Reform bill, as agreed to with MACRS, was reported favorably and referred to the House Committee on Ways and Means by the Joint Committee on Public Service as H. 4011.***

## PERAC TESTIFIES IN SUPPORT OF 91A HEARING OFFICER BILL

### *PERAC Bill Heard by Public Service Committee*

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A measure proposed by PERAC that would relieve retirement boards of the burden of conducting hearings at the request of retirees whose benefit is about to be reduced or terminated under Chapter 32, Section 91A of the Massachusetts General Laws has been heard by the Public Service Committee. Executive Director Connarton explained that, under Section 91A, disability retirees are restricted in their earnings from outside sources to the difference between the salary level of the position from which they retired and their disability allowance plus \$5,000. He also noted that PERAC, since its creation, has assisted in the

collection of approximately \$14.8M from excess earners.

Connarton informed the Committee that the idea for the bill had originated with the Public Pension Advisory Group (PPAG). Under the proposal, PERAC would appoint an independent hearing officer to conduct 91A hearings and would be a party to the process as an advocate for the decision to suspend or terminate the disability allowance.

Shawn Duhamel, representing the Plymouth Retirement Board, opposed the legislation. He indicated that it would be inappropriate to consolidate this power in

the hands of PERAC. He noted that the local boards have better information on current retirees and know the numbers better than PERAC.

Raymond McGrath also opposed H. 15 indicating that his system, Worcester, had never had a problem with the hearings and that the present structure works well.

Denis Devine, on behalf of the Woburn Retirement Board, also opposed the bill indicating that local boards know the local violators and that on two occasions of which he was aware, the matters were settled even prior to a hearing having been held.

### PERAC EMERGING ISSUES 2007 FORUM SCHEDULED

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On June 26, 2007, PERAC will host its fourth annual Emerging Issues Forum at the College of the Holy Cross in Worcester, Massachusetts. This year the topic will be, "Financing Retirement Costs: The Future Isn't As Cheap As It Used To Be." Panels will focus on pension funding issues from a national and local perspective and the growing impact of post-retirement health care expenses on governmental budgets. Registration packets were mailed on Thursday, May 24, 2007. Requests for additional registration forms should be directed to Ms. Katie Bozzi at 617-666-4446, ext. 908.

### 2006 INVESTMENT RESULTS RELEASED

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PERAC has released the investment results of the retirement systems for 2006. In light of recent proposals regarding the investment of assets, the Commission published the investment results prior to the dissemination of the Annual Report for 2006. Performance ranged from 7.52% to 18.09%. The median return was 13.99% and the composite return was 16.07%. This performance compared well with nationwide results as the median return for the New England Pension Consultants Public Fund Universe was 13.50%; for TUCS, 13.20%; and the Northern Trust Public Funds Universe, 13.50%.